

Message Text

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ACTION NEA-11

INFO OCT-01 AF-10 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
SS-15 ICA-11 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02
/131 W

-----048319 090809Z /10

R 090532Z MAY 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 0904
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
USINT BAGHDAD
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY SANA
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS

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E.O. 11652: N/A
TAGS: EAID, EFIN, PFOR
SUBJ: ANNUAL MEETING DELAYS ARAB FUND FINANCING PLANS

REF: KUWAIT 1488 (NOTAL)

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1. SUMMARY: HAVING COMMITTED 80 PERCENT OF ITS SUBSCRIBED FUNDS,
\$1.5 BILLION ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT HAD
HOPED TO OBTAIN AUTHORIZATION TO BORROW AT ITS ANNUAL BOARD
OF GOVERNORS MEETING HELD IN KUWAIT APRIL 22-23. INSTEAD IT GOT
NO AUTHORIZATION AND A LECTURE FROM KUWAIT ON "STICKING TO
FIELDS CONNECTED WITH ITS WORK" AND "ECONOMY OF ADMINISTRATION".
FUND WILL BE ABLE TO MAKE COMMITMENTS FOR NEW LOANS THROUGH

SPRING 1979 BUT THEN WILL NEED EITHER AN INCREASE IN ITS CAPITAL OR AUTHORIZATION TO BORROW. END SUMMARY.

2. ALTHOUGH LOCAL PRESS REPORTED ANNUAL MEETING OF THE ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT IN KUWAIT APRIL 22-23 IN RELATIVELY BLAND FASHION, ARAB FUND OFFICIALS AND OTHERS WE HAVE TALKED TO WHO ATTENDED CONFERENCE PAINT A SOMEWHAT DIFFERENT PICTURE. FUND OFFICIALS HAD HOPED THAT ARAB FINANCE MINISTERS, MEETING AS THE BOARD OF GOVERNORS OF THE FUND, WOULD APPROVE FUND MANAGEMENT PROPOSALS THAT IT BE AUTHORIZED TO BORROW TO COVER FUTURE PROJECTS ENVISAGED. (FUND'S CHARTER PERMITS BOARD OF GOVERNORS TO AUTHORIZE FUND BORROWING OF UP TO TWICE ITS 400 MILLION KD--OR APPROXIMATELY \$1.5 BILLION--CAPITAL LIMIT.) FUND OFFICIALS FELT THIS WAS NECESSARY BECAUSE ALTHOUGH THE FUND HAD 362 MILLION KD IN CAPITAL ALREADY SUBSCRIBED, 295 MILLION KD WAS ALREADY COMMITTED IN THE FORM OF LOANS, WHILE ONLY 180 MILLION KD HAD ACTUALLY BEEN PAID IN TO THE CAPITAL OF THE FUND AND APPROXIMATELY 90 MILLION KD HAD BEEN DISBURSED.

3. FUND OFFICIALS WERE SURPRISED WHEN, AT SEEMINGLY ROUTINE ANNUAL MEETING, KUWAIT FINANCE MINISTER ATEEQI CRITICIZED THE COST OF FUND OPERATIONS AND SAID THAT HE FELT THAT IT WAS INOPPORTUNE FOR THE FUND TO BE BORROWING AT THIS TIME. AS KUWAIT FUND DIRECTOR AL-HAMAD TOLD AMBASSADOR, ATEEQI POINTED OUT THAT THE FUND HAD PAID OUT IN LOANS ONLY HALF OF THE CAPITAL PAID IN AND A MUCH LIMITED OFFICIAL USE

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SMALLER PERCENTAGE OF CAPITAL COMMITTED. ATEEQI HAD SAID THAT THE ARAB FUND SHOULD NOT BE BORROWING FOR NEW COMMITMENTS. RATHER, IT SHOULD BE ENSURING THAT BENEFICIARIES OF LOANS WERE TAKING THE NECESSARY STEPS TO PERMIT THE LOANS TO BE FULLY DISBURSED. KUWAIT'S VIEW, AL-HAMAD SAID, WAS THAT THERE WAS NO POINT IN BORROWING MONEY FOR NUMEROUS NEW LOANS IF THE EXISTING LOANS WERE NOT BEING PROPERLY ADMINISTERED.

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/131 W

-----048322 090808Z /10

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4. ARAB FUND BOARD OF GOVERNORS FINISHED ITS MEETING BY
ISSUING A NUMBER OF RESOLUTIONS AND RECOMMENDATIONS
REFLECTING KUWAIT'S VIEWS. THE GOVERNORS (A) APPROVED DECEMBER
31, 1977 BUDGET "WITH RECOMMENDATION FOR ECONOMY OF
EXPENDITURES, ESPECIALLY IN THE ADMINISTRATIVE AREA"; (B)
URGED THAT THE FUND ONLY FINANCE STUDIES "ON ACTIVITIES STRONGLY
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CONNECTED WITH ITS WORK"; (C) DIRECTED THE FUND'S MANAGEMENT,
WHEN STUDYING THE SUBJECT OF LOANS, "TO CONSIDER THE FINANCIAL
POSITION AND THE EXPECTED REQUIREMENTS RESULTING FROM THE FUND'S
ACTIVITIES".

5. FUND OFFICIALS ATTENDING THE MEETING TOLD ECON CHIEF
THAT KUWAITIS MADE THE MOST CRITICISM, WITH SAUDI FINANCE
MINISTER ABA AL-KHAYL REMAINING LARGELY SILENT. WHILE AL-HAMAD
SOUGHT TO DOWNPLAY EFFECT OF KUWAIT'S CRITICISM OF THE FUND
AND ITS ACTIVITIES. FUND OFFICIALS WE HAVE TALKED TO WERE
SOMBER AND GLOOMY AFTER MEETING, SAYING THAT THE LACK OF
AUTHORIZATION FOR BORROWING AND OTHER CRITICISMS DIRECTED AT
THE FUND HAVE RESULTED IN A "REORGANIZATION" WHICH MAY LEAD

TO CUTS IN STAFF. WE HAVE ALREADY HEARD OF NUMBER OF FUND OFFICIALS WHO ARE LOOKING FOR JOBS OUTSIDE THE FUND BECAUSE OF WHAT THEY TERM THE FUND'S "CHANGED DIRECTRION".

6. COMMENT: THE ARAB FUND HAD BEEN GETTING FAT RECENTLY WITH THE ADDITION OF VARIOUS "CONSULTANTS", MANY OF THEM ECONOMISTS AND OTHER PROFESSIONALS WHO ARE REFUGEES FROM BEIRUT. CONCERNED ABOUT THE LOSS OF KUWAIT'S OIL REVENUES BECAUSE OF THE DECLINE OF THE DOLLAR AND THE PRESENT WEAK OIL MARKET, FINANCE MINISTER ATEEQI IS IN NO MOOD TO BE GENEROUS THESE DAYS. THE ARAB FUND MEETING NO DOUBT PROVIDED AN EASY OPPORTUNITY FOR ATEEQI TO VENT HIS SPLEEN, AN ACTIVITY WHICH HE IS WIDELY KNOWN TO ENJOY. WE UNDERSTAND THAT ARAB FUND LOANS IN THE PIPELINE ARE NOT LIKELY TO REACH THE LEVEL OF FUND'S TOTAL CAPITAL BEFORE SPRING 1979. BY THEN KUWAIT COULD BE IN A MORE SYMPATHETIC MOOD TOWARD EITHER AN INCREASE IN THE FUND'S CAPITAL OR GRANTING AUTHORITY TO BORROW.
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